



VARUN BEVERAGES LIMITED



Corporate Off : Plot No.31, Institutional Area, Sec.-44, Gurgaon, Haryana-122002 (India)
Ph.: +91-124-4643100-500 • Fax: +91-124-4643303/04 E-mail : info@rjcorp.in • Visit us at : www.rjcorp.in
CIN No. : U74899DL1995PLC069839

May 12, 2017

To,

<p>The BSE Limited Corporate Relationship Department, 1st Floor, New Trading Ring, Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai – 400 001 022-2272 3121, 2037, 2061 corp.relations@bseindia.com</p> <p>Security Code No. 540180</p>	<p>The National Stock Exchange of India Ltd. Exchange Plaza, 5th floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 # 022-2659 8237, 8238, 8347, 8348 cmlist@nse.co.in</p> <p>Symbol : VBL Series : EQ</p>
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Dear Sir/Madam,

Sub: Intimation of Analyst / Institutional Investor call
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In continuation to our letter dated May 9, 2017 on the captioned subject pertaining to the Conference Call to be held today at 4.00 p.m.; please find attached a copy of the earning presentation on unaudited financial results for the 1st quarter ended March 31, 2017. Kindly upload the same in your websites. The same is also being uploaded in the website of the Company.

Thanking you.

Yours faithfully,

For Varun Beverages Limited

Ravi Batra
Chief Risk Officer &
Group Company Secretary

May 12, 2017



(a PepsiCo franchisee)

Varun Beverages Limited

Q1 CY2017 Results Presentation

Fizzy



Juicy




Packaged Water



Certain statements in this communication may be 'forward looking statements' within the meaning of applicable laws and regulations. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Important developments that could affect the Company's operations include changes in the industry structure, significant changes in political and economic environment in India and overseas, tax laws, import duties, litigation and labour relations.

Varun Beverages Limited (VBL) will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.



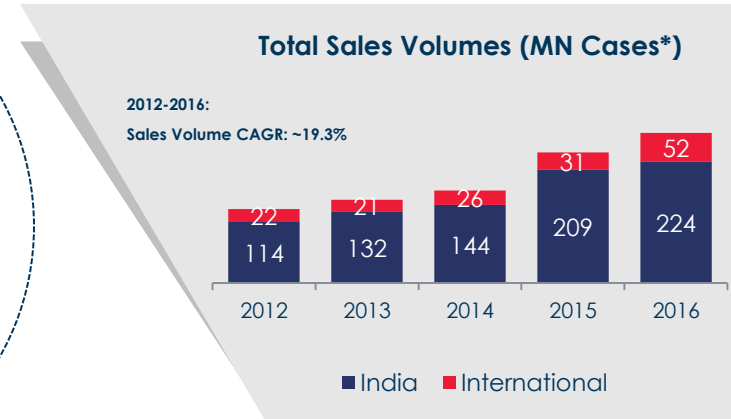
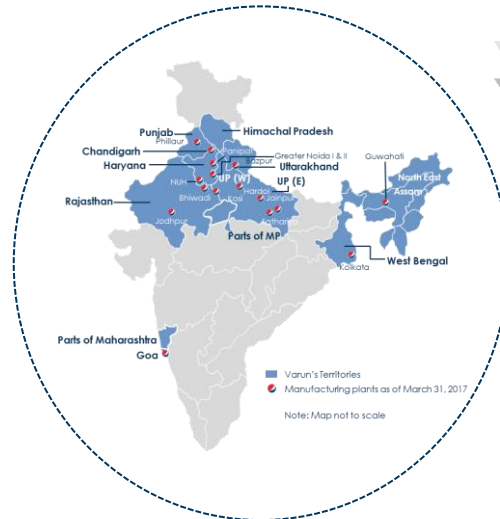
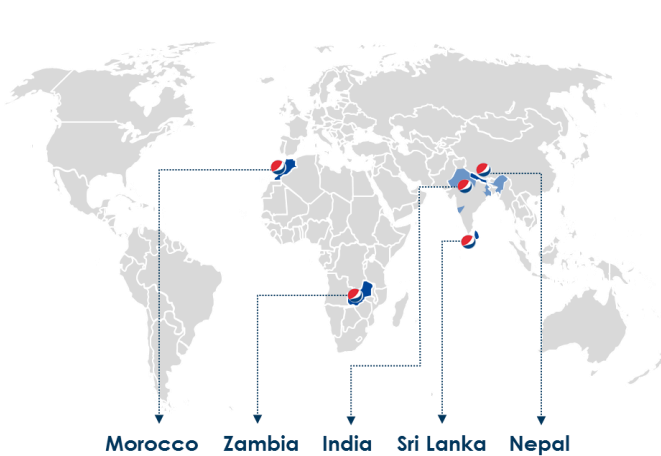
- 1 Company Overview
- 2 Q1 CY2017 Results Overview
- 3 Industry Prospects
- 4 Financial Highlights
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Company Snapshot

Key player in the beverage industry

Operations spanning across **5 countries** – 3 in the Indian Subcontinent (India, Sri Lanka, Nepal) contribute ~**90%** to revenues; 2 in Africa (Morocco and Zambia) contribute ~10%

Over **25** years strategic association with PepsiCo – accounting for **45%** of PepsiCo's beverage sales volume in India



Note: 1. As on March 31, 2017

2. *A unit case is equal to 5.678 liters of beverage divided in 24 bottles of ~ 237 ml each

Key Player in the Beverage Industry – Business Model



VBL- END-TO-END EXECUTION ACROSS VALUE CHAIN

<p style="text-align: center;">MANUFACTURING</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; padding: 5px; background-color: #fff9c4;">Concentrate (PepsiCo)</div> <div style="border: 1px solid black; padding: 5px; background-color: #fff9c4;">Other Raw Materials</div> <div style="border: 1px solid black; padding: 5px; background-color: #fff9c4;">Bottling</div> </div>	<ul style="list-style-type: none"> ▪ 21 state-of-the-art production facilities 	<p style="text-align: center; background-color: #e53935; color: white; padding: 10px; border-radius: 10px;">SOLID INRASTRUCTURE</p>
<p style="text-align: center;">DISTRUBUTION & WAREHOUSING</p>	<ul style="list-style-type: none"> ▪ 71 owned depots ▪ 2,024 owned vehicles ▪ 1,186 primary distributors 	<p style="text-align: center; background-color: #e53935; color: white; padding: 10px; border-radius: 10px;">ROBUST SUPPLY CHAIN</p>
<p style="text-align: center;">CUSTOMER MANAGEMENT</p>	<ul style="list-style-type: none"> ▪ VBL - local level promotion and in-store activation ▪ Installed 458,000 visi-coolers ▪ PepsiCo - brand development & consumer marketing 	<p style="text-align: center; background-color: #e53935; color: white; padding: 10px; border-radius: 10px;">DEMAND DELIVERY</p>
<p style="text-align: center;">IN-MARKET EXECUTION</p>	<ul style="list-style-type: none"> ▪ Experienced region-specific sales team ▪ Responsible for category value/volume growth 	<p style="text-align: center; background-color: #e53935; color: white; padding: 10px; border-radius: 10px;">MARKET SHARE GAINS</p>
<p style="text-align: center;">COST EFFICIENCIES</p>	<ul style="list-style-type: none"> ▪ Production optimization ▪ Backward integration ▪ Innovation (packaging etc) 	<p style="text-align: center; background-color: #e53935; color: white; padding: 10px; border-radius: 10px;">MARGIN EXPANSION</p>
<p style="text-align: center;">CASH MANAGEMENT</p>	<ul style="list-style-type: none"> ▪ Working capital efficiencies ▪ Disciplined capex investment ▪ Territory acquisition 	<p style="text-align: center; background-color: #e53935; color: white; padding: 10px; border-radius: 10px;">ROE EXPANSION / FUTURE GROWTH</p>

Symbiotic Relationship with PepsiCo

VBL – Demand Delivery

- Investment in Production Facilities – manufacturing plants
- Sales & Distribution – Vehicles
- In-outlet Management – Visi-Coolers
- Market Share Gains – Consumer Push Management



PepsiCo – Demand Creation

- Owner of Trademarks
- Investment in R&D – Product & Packaging innovation
- Concentrate Supply
- Brand Development – Consumer Pull Management



Commenting on the performance for Q1 CY2017, Mr. Ravi Jaipuria, Chairman – Varun Beverages Limited said,

“We have made a healthy start to the year with steady operational performance. Going into the second quarter, we are happy to share that the summer has kicked off on a strong note and we have recorded reasonable numbers in the month of April over a high base last year. This is the peak season for our products which accounts for majority of our sales and entire profit. We are confident of sustaining the momentum into the next two months if the summer continues to be strong.

In the quarter gone by, we have increased our stake in our Zambia subsidiary which is highly profitable with strong free cash flow generation. It is a fast growing emerging market and we are confident of our ability to drive sales and profitability higher in the future.

Another big positive for us is the CRISIL rating upgrade for our long term debt facilities to AA-/Stable from A+/Positive. This marks the second upgrade in under six months testimony to the strength of the operations and cash flow generation.

We are well-positioned to strengthen our position as a key player in the beverage industry on the back of our robust business model with end-to-end execution capabilities and presence across the entire value chain. We have a solid infrastructure and well-entrenched distribution network in place and along with PepsiCo will constantly innovate to launch new products to stay attuned to the changing consumer preferences.”

Key Developments

Stake Increase in Zambia Subsidiary

- Increased stake in its Zambia subsidiary, Varun Beverages (Zambia) Limited, to 90% from 60%
- Acquisition comes at a very reasonable valuation with an attractive payback given growth prospects and promising earnings potential
- Enable VBL to consolidate a higher share of profits from the subsidiary going forward (2016 sales volumes of 10.7 million cases; 2016 EBITDA of Rs. 467 million and 2016 PAT of Rs. 304 million)

Divestment

- Divested 41% stake in its Mozambique subsidiary, Varun Beverages Mozambique Limitada in view of limited opportunity to scale-up operations to turnaround the loss making subsidiary
- Subsidiary contributed only 0.6% to the net revenues from operations in 2016 and recorded a loss of Rs. 99 million in 2016

Rating Upgrade / NCD Issuance

- Credit rating for long term debt has been upgraded from CRISIL A+/Positive to CRISIL AA-/Stable. Company had already secured top rating for short term debt i.e. CRISIL A1+.
- Raised Rs. 3,000 million by issue of Non-Convertible Debentures (NCD). The NCD have been listed on WDM segment of the National Stock Exchange of India.
- Repaid annual installment of Rs. 3,235 million towards interest free deferred acquisition payment to PepsiCo during the quarter. The last installment of Rs. 3,000 million is pending which is due in Feb, 2018.

Capacity Expansion / Consolidation

- Set up a new unit for manufacturing of Pepsi range of products at District Hardoi, Uttar Pradesh; commercial production / operation has started with effect from May 3, 2017
- Capex to be in line with depreciation in 2017 and to substantially reduce going forward
- Goa operations are consolidated into a single larger facility to bring in operational efficiencies.

New Products / Promotional Campaigns

New Products

- Launched Pepsi Black, a zero calorie cola flavor CSD product currently available in 250ml cans priced similar to the other flavors
- Launch is part of PepsiCo's plan to intensify focus on health and nutrition, reduce sugar content in beverages

"We are investing to reduce sugars in our global beverages in line with our 'portfolio with purpose 2025' goal. We are looking forward to bringing more variants of existing products in zero calories or no-sugar category. We'll keep rolling out products every 2-3 months," said Vipul Prakash, senior vice-president (beverages category), PepsiCo India.



Promotional Campaigns

- As part of its summer promotions, labels of Pepsi cans and bottles have popular and colloquial words in eight different Indian languages. Words like **Muah, Dhaakad** (for north Indian market), **Jhakaas** (for Mumbai market), **Adipoli** (for Kerala) and **Fatafati, Ghyaam, Fullbawaal** (for Bengal market) are now printed on the labels of Pepsi cans and bottles as part of Pepsi's new 'Moments' campaign conceptualised by J. Walter Thompson.



Discussion on Financial & Operational Performance – Q1 CY2017

Revenues

- Revenue from operations (including excise) grew 1.8% YoY in Q1 CY2017 to Rs. 10,509 million
- Contribution from India is 78%; Rest of Indian Subcontinent (Nepal & Sri Lanka) is 13%; Africa is 9%
- Reported marginal growth in revenue from operations on account of the extended winter in North India. Although, International operations in Nepal, Sri Lanka and Morocco have grown in double digits during the same period

Sales Volumes

- Total sales volume were up 2.3% YoY at 67.2 million unit cases as compared to 65.7 million unit cases in Q1 CY2016
- India sales volume grew 2.0% YoY – International sales increased by 3.8% YoY

Gross Margins / Operating Margins

As per IGAAP:

- Gross margins expanded 305bps YoY to 54.5% primarily on account of increase in mix of Aquafina and reduction in purchases post acquisition of co-packers. Also, in order to address market situations & competitive activities, PepsiCo allows concentrate discount from time to time.
- EBITDA margins expanded to 15.9% YoY from 14.5% inline with expansion in gross margins

As per IND AS:

- EBITDA margins expanded to 15.6% YoY from 13.7%. Margins in previous year have suppressed on account of IND AS adjustments.

Profit After Tax

As per IGAAP:

- Reported PAT of Rs. 11 million in Q1 CY2017 as against Loss of Rs. 175 million in Q1 2017
- Improvement is primarily on account of reduction in finance cost during current quarter and improved margins

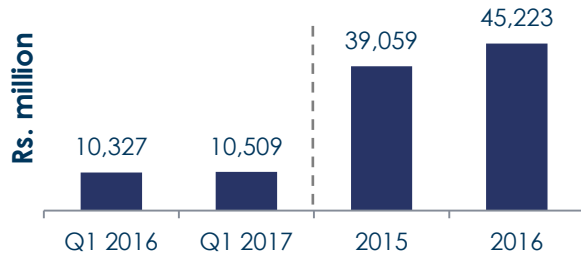
As per IND AS:

- Reported PAT of Rs. 30 million in Q1 CY2017 as against Loss of Rs. 541 million in Q1 2017
- Previous year's PAT was suppressed primarily on account of IND AS adjustments relating to CCDs/CCPS and deferred acquisition consideration

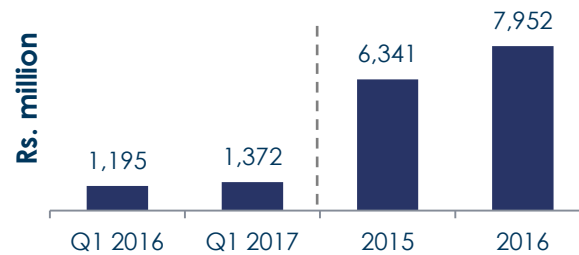
Performance Highlights

VBL has adopted Ind-AS framework starting Q1 CY2017. Prior period numbers for Q1 2016 have been restated in compliance with Ind-AS for a meaningful comparison. The annual numbers for 2016 and 2015 are as per I-GAAP.

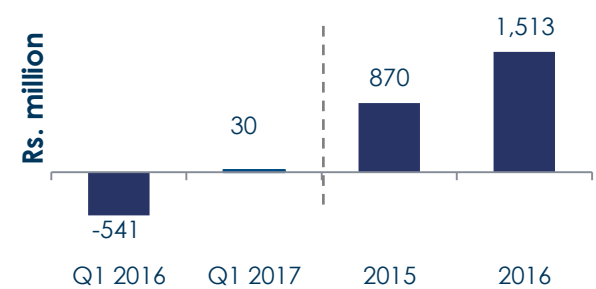
Revenue



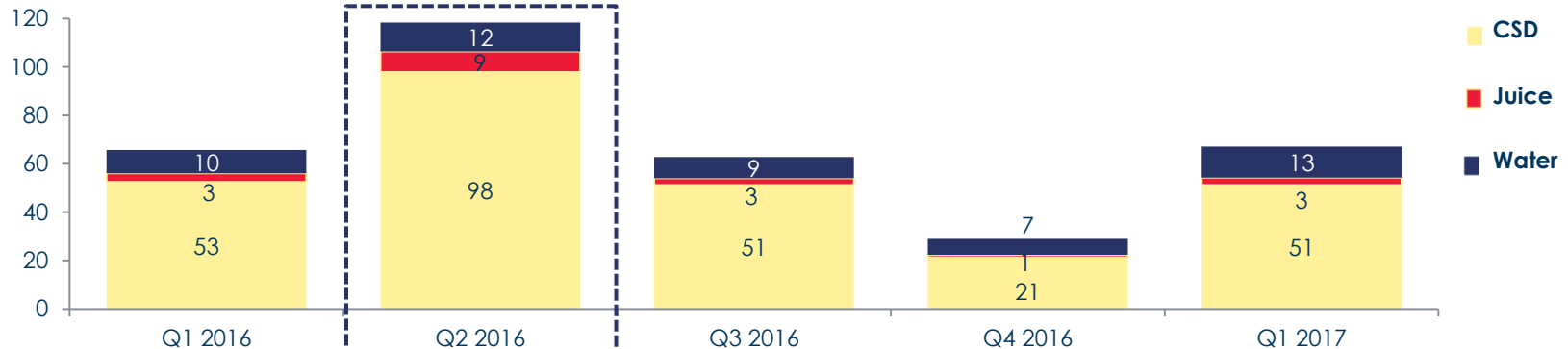
EBITDA



PAT



Sales Volumes (million unit cases)



Note: Given the seasonality in the business, it is best to monitor the business on an annual basis as, significant portion of the revenues are realized in the Apr-June quarter

Profit & Loss Statement



Particulars (Rs million)	IND AS			IGAAP		
	Q1 2017	Q1 2016	YoY(%)	2016	2015	YoY (%)
Income from operations						
Gross sales/income from operations	10,462.43	10,270.60	1.87%	44,954.06	38,854.83	15.70%
Other operating income	46.44	56.29	-17.50%	268.80	204.11	31.69%
Other income incl. other comprehensive income	111.89	12.78	775.81%	347.77	142.81	143.52%
Total income from operations	10,620.76	10,339.67	2.72%	45,570.63	39,201.75	16.25%
Expenses						
Cost of materials consumed	4,763.89	5,033.53	-5.36%	16,767.95	14,253.08	17.64%
Purchase of stock-in-trade	70.19	338.90	-79.29%	911.04	3,201.51	-71.54%
Changes in inventories	-833.02	-1,152.29	NA	-315.91	-289.85	8.99%
Excise duty	1,716.90	1,636.69	4.90%	6,702.78	5,117.45	30.98%
Employee benefits expense	1,099.98	972.28	13.13%	4,263.56	3,237.51	31.69%
Finance costs	566.11	1,090.49	-48.09%	2,147.90	1,687.91	27.25%
Depreciation and amortisation	800.81	774.50	3.40%	3,723.64	3,174.09	17.31%
Other expenses	2,318.57	2,303.15	0.67%	8,941.31	7,198.62	24.21%
Total expenses	10,503.43	10,997.25	-4.49%	43,142.27	37,580.33	14.80%
Profit/(loss) before tax and share of profit in associate	117.33	-657.57	NA	2,428.36	1,621.42	49.77%
Share of profit in associate	2.15	3.90	-44.84%	23.46	15.17	54.65%
Profit/(loss) before tax	119.48	-653.67	NA	2,451.82	1,636.59	49.81%
Tax expense	65.86	-73.47	NA	828.50	766.21	8.13%
Net profit/(loss) for the period	53.62	-580.21	NA	1,623.32	870.38	86.51%
Net profit attributable to:						
Owners	29.76	-540.98	NA	1,512.56	870.38	73.78%
Non-controlling interest	23.86	-39.23	NA	110.76	-	NA

Note:

- Given the seasonality in the business, it is best to monitor the business on an annual basis as a significant portion of the revenues are realized in the Apr-June quarter
- VBL has adopted Ind-AS framework starting Q1 CY2017. Prior period numbers for Q1 2016 have been restated in compliance with Ind-AS for a meaningful comparison.
- Annual numbers for 2016 and 2015 are re-grouped I-GAAP number. Financials for CY2015 are as per the restated consolidated financials as reported in the IPO Prospectus.

Ind-AS Impact on VBL - Q1CY17 & Q1CY16 P&L

Particulars (Rs million)	Q1 CY2017			Q1 CY2016		
	IGAAP	IND AS adjst.	IND AS	IGAAP	IND AS adjst.	IND AS
Income from operations						
Gross sales/income from operations	10,462.43		10,462.43	10,270.60		10,270.60
Other operating income	46.44		46.44	56.29		56.29
Other income incl. other comprehensive income	100.39	11.50	111.89	17.09	-4.31	12.78
Total income from operations	10,609.26	11.50	10,620.76	10,343.98	-4.31	10,339.67
Expenses						
Cost of materials consumed	4,763.89		4,763.89	5,033.53		5,033.53
Purchase of stock-in-trade	70.19		70.19	338.90		338.90
Changes in inventories	-833.02		-833.02	-1,152.29		-1,152.29
Excise duty	1,716.90		1,716.90	1,636.69		1,636.69
Employee benefits expense	1,123.41	-23.43	1,099.98	1,007.61	-35.33	972.28
Finance costs	403.30	162.81	566.11	505.36	585.12	1,090.49
Depreciation and amortisation	948.73	-147.92	800.81	924.37	-149.87	774.50
Other expenses	2,272.69	45.88	2,318.57	2,206.31	96.84	2,303.15
Total expenses	10,466.10	37.34	10,503.43	10,500.48	496.76	10,997.25
Profit/(loss) before tax and share of profit in associate	143.16	-25.83	117.33	-156.50	-501.08	-657.57
Share of profit in associate	2.10	0.05	2.15	3.89	0.01	3.90
Profit/(loss) before tax	145.26	-25.78	119.48	-152.61	-501.07	-653.67
Tax expense	95.95	-30.09	65.86	21.62	-95.08	-73.47
Net profit/(loss) for the period	49.31	4.31	53.62	-174.22	-405.99	-580.21
Net profit attributable to:						
Owners	11.22	18.54	29.76	-175.08	-365.91	-540.98
Non-controlling interest	38.09	-14.23	23.86	0.85	-40.08	-39.23

Ind-AS Impact on VBL – Key Adjustments

A. NPV calculation of deferred consideration for territory acquisition – As per IND AS, interest free outstanding to PepsiCo is recalculated at its NPV resulting in following –

Balance Sheet:

- i. Reduction in outstanding deferred liability
- ii. Corresponding reduction in fixed assets acquired on acquisition from PepsiCo

P&L:

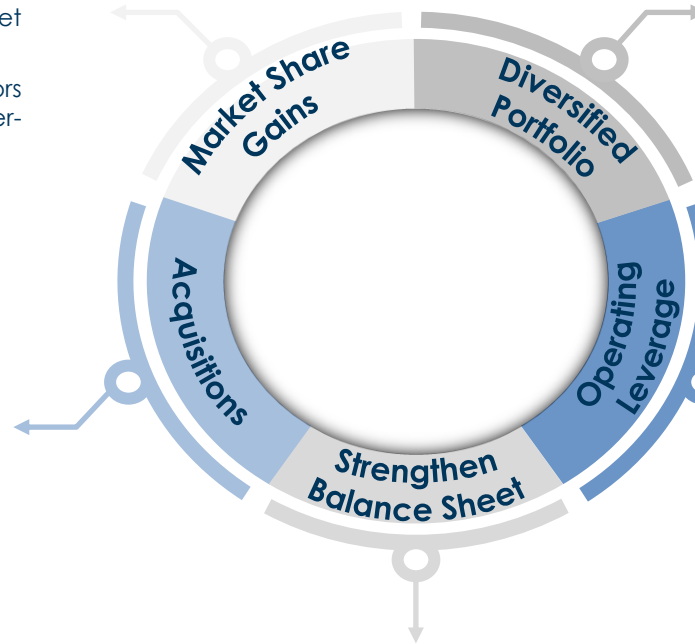
- i. Notional provision of interest on the deferred consideration for the period available
- ii. Reduction in depreciation due to decreased asset block

B. Franchise rights / trademarks under the head Intangible assets arising on territory acquisition – As per IND AS guidelines, the life of such rights is perpetual therefore are put to annual impairment testing instead of amortization at a fixed rate.

C. CCDs/CCPS – As per IND AS guidelines, any difference due to fair valuation on convertible financial instruments is taken through finance cost in P&L. These instruments have already been converted in CY2016 before IPO. Hence, there is no impact in CY2017.

- ▶ Well-positioned to leverage PepsiCo brand to increase market penetration in licensed territories
- ▶ Consolidating existing distributors and increasing distribution in under-penetrated regions

- ▶ Penetrate newer geographies – to compliment existing operations in India
- ▶ Identify strategic consolidation opportunities in South Asia/Africa



- ▶ To periodically launch innovative products in select markets in line with changing consumer preferences
- ▶ Focus on non-cola carbonated beverages and NCB's
- ▶ Bottled water provides significant growth opportunity

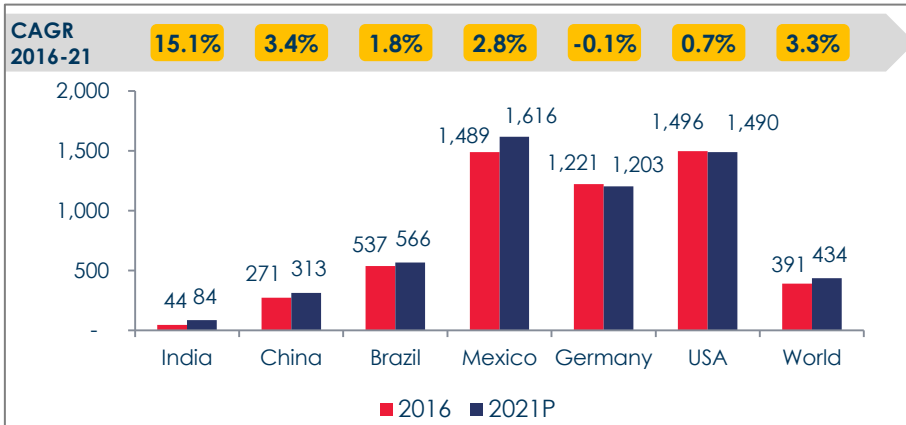
- ▶ Contiguous territories/markets offer better operating leverage and asset utilization – economies of scale
- ▶ Production and logistics optimization
- ▶ Packaging synchronization and innovations
- ▶ Technology use to improve sales and operations processes

- ▶ Repayment of debt using IPO proceeds and through strong cash generation
- ▶ To enable significant interest cost savings

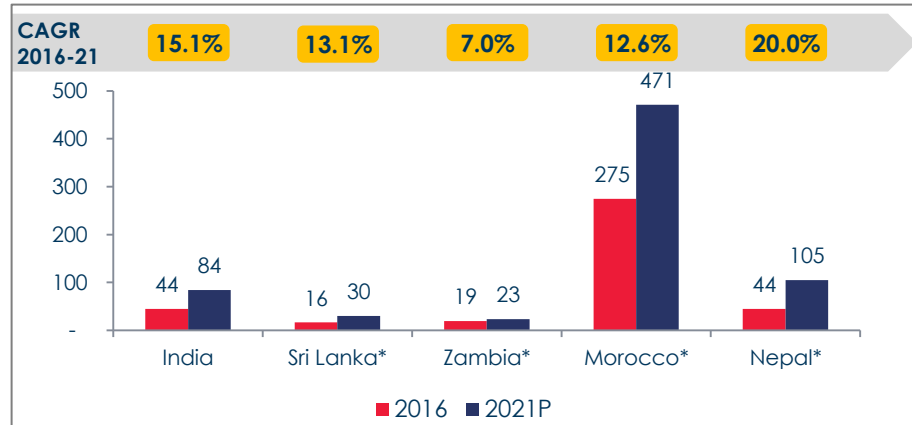
Broad-based Growth To Continue Across Soft Drink Categories in India...



Global Markets - Per Capita Soft Drink Consumption (Per Capita bottles)



VBL Markets - Per Capita Soft Drink Consumption (Per Capita bottles)



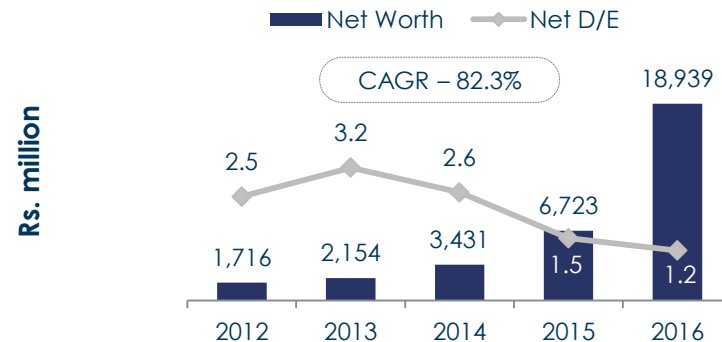
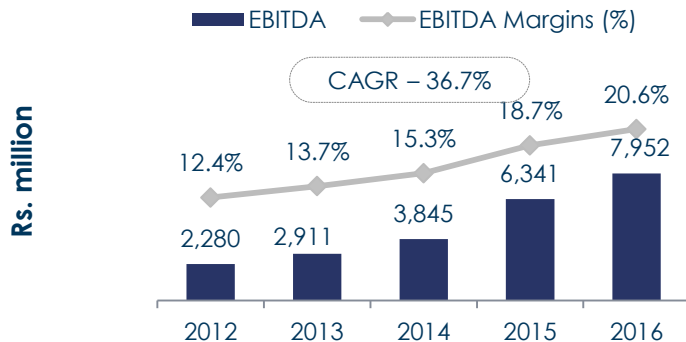
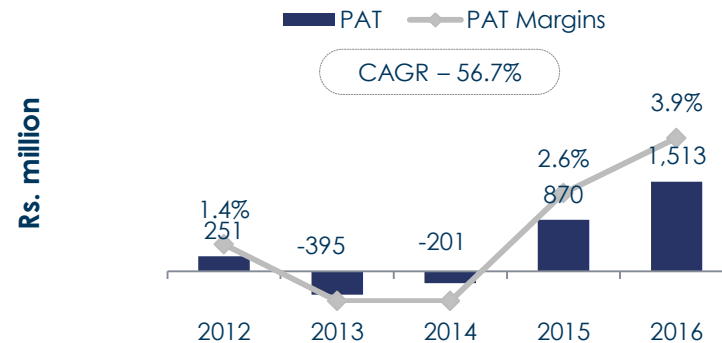
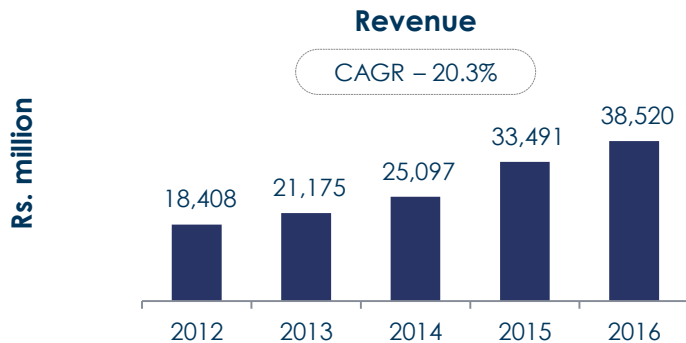
Soft Drinks Industry - India

Million Cases	2016	2021P	CAGR
Carbonates	868	1205	6.8%
Juice	373	816	16.9%
Bottled Water	1,132	2,795	19.8%
Others**	18	23	5.1%
Total	2,391	4,839	15.1%



Source: Euromonitor Report; Note: * denotes Modelled Countries: Data for modelled countries is created by pegging countries outside Euromonitor's research programme to those we do research, linking together those with a similar consumer culture and development level. **Others = Concentrates, RTD Tea, Sports/Energy Drinks

Financial Highlights (2012-16)



Note: Historically, till 2015, in debt equity ratio calculation, CCD's issued to Private Equity Investors were considered as Equity and deferred acquisition consideration to PepsiCo was excluded from the debt. From the year 2016, CCDs of private equity investors are converted into equity and interest free deferred acquisition consideration to PepsiCo has been considered in total debt.

Varun Beverages Limited (VBL) Q1 CY2017 Earnings Conference Call

Time • 4:00 pm IST on Friday, May 12, 2017

Conference dial-in Primary number • Primary number: +91 22 3938 1071

Local access number 3940 3977
Available in - Gurgaon (NCR), Ahmedabad, Bangalore, Chandigarh, Chennai, Hyderabad, Kochi/Cochin, Kolkata, Lucknow, Pune (Accessible from all carriers)

International Toll Free Number

- Hong Kong: 800 964 448
- Singapore: 800 101 2045
- UK: 0 808 101 1573
- USA: 1 866 746 2133

Varun Beverages Limited (VBL) is a key player in beverage industry and one of the largest franchisee of PepsiCo in the world (outside USA). The Company produces and distributes a wide range of carbonated soft drinks (CSDs), as well as a large selection of non-carbonated beverages (NCBs), including packaged drinking water sold under trademarks owned by PepsiCo. PepsiCo CSD brands produced and sold by VBL include Pepsi, Diet Pepsi, Seven-Up, Mirinda Orange, Mirinda Lemon, Mountain Dew, Seven-Up Nimbooz Masala Soda, Seven-Up Revive and Everess. PepsiCo NCB brands produced and sold by the Company include Tropicana Slice, Tropicana Frutz, Nimbooz as well as packaged drinking water under the brand Aquafina.

VBL has been associated with PepsiCo since the 1990s and have over two and half decades consolidated its business association with PepsiCo, increasing the number of licensed territories and sub-territories covered by the Company, producing and distributing a wider range of PepsiCo beverages, introducing various SKUs in the portfolio, and expanding the distribution network. As of March 31, 2016, VBL has been granted franchises for various PepsiCo products across 17 States and two Union Territories in India. India is the largest market and contributed 80% of revenues from operations (net) in Fiscal 2016. VBL has also been granted the franchise for various PepsiCo products for the territories of Nepal, Sri Lanka, Morocco, and Zambia.

For more information about us, please visit www.varunpepsi.com or contact:

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Thank You!
